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ABSTRACT

This study examines the relationships between various elements of property wealth and operating expenditures per pupil by types of school district--elementary (K-8), high (9-12), and unit (K-12). Elements of property wealth were defined as the equalized assessed valuation per pupil for each of the following property tax classifications: residential, farm, commercial, industrial, railroad, and minerals. Data for this study were compiled from computer tapes supplied by the Illinois Department of Revenue, Property Tax Division, for tax years 1980-1984 and by the Illinois State Board of Education for FY82 through FY86. Results are reported for the distribution of component property wealth, the rate of growth in component property wealth, the distributional inequities of component property wealth among school districts, and the relationship between operating expenditures per pupil and component property wealth. Findings suggest (1) distributional inequities in residential and farm valuation percentages between unit and dual school district territories; (2) differences between farm valuation decline and corporate personal property replacement valuation increase; (3) distributional inequities of industrial, farm, railroad, and mineral valuations in each district type; and (4) property valuations for farm and industrial properties as strong predictors of operating expenditures per pupil. Implications of these findings are discussed for future revisions in the system of funding public education in Illinois. Tables and pie charts are included throughout. (TE)

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Elements of Property Wealth and Educational Expenditures in Illinois

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A paper presented at the 1988 Annual Meeting of
the American Education Finance Association
Tampa, Florida
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Elements of Property Wealth

and Educational Expenditures in Illinois

The property tax continues to be the primary source for financing public education in Illinois. During 1987-88, it is estimated that $3.8 billion (52.7 percent of all local, state and federal receipts for lower education) will be obtained from the local property tax. In addition, assessed valuation per pupil is the measure of wealth in the Illinois general state aid formula that is a key variable in determining the general state aid allotments to local school districts. Furthermore, the local property tax base is used to determine debt limitations for short-term borrowing for current operations and long-term borrowing for school facility construction. Given the importance of the local property tax to the operation of public education, it seems appropriate to examine the status of property wealth and its components.

In recent years there has been increasing pressure to revise the system of financing public education in Illinois. Following comprehensive school finance reform in the early 1970's, the Illinois State Board of Education initiated the Illinois Public School Finance Project in May 1981 to conduct research necessary toward the purpose of improving the Illinois system for financing public education. The

Project identified more than 20 sub-projects which were defined to develop recommendations for implementation of a new system of financing schools that:

1. generates adequate revenue for education on a basis that is fair to taxpayers;
2. distributes state funds for education at levels that are adequate and in ways that are fair to school districts and students; and
3. facilitates management practices that use resources effectively and efficiently.[1]

The central recommendation from the Project was that the existing system of funding public education, essentially a foundation and flat grant program, be replaced by a Resource Cost Model (RCM) approach. However, due to the complexity and cost of the proposal, the RCM was never given serious consideration by the Illinois General Assembly. The Superintendent's Recommendations did identify several aspects of the finance system which required further research. Among the topics which were to be examined by the State Board staff or other appropriate organizations were the following:

1. A study of the distribution of corporate personal property replacement revenue to school districts for the purposes of determining the impact of this replacement revenue upon a) equity in the distribution of state funds and b) local tax rates will be undertaken.
2. A study to determine appropriate solutions to problems involved with the current method of classifying real property and the resultant adverse effects on school funding.[2]

Although a vast array of general education reform provisions were enacted in 1985, agreement was not attained with respect to revisions in the general state aid formula. As an expression of dissatisfaction with the system of financing public education, the 1985 General Assembly did enact a provision to repeal the existing formula as of July 1987. However, in 1987 the repeal of the formula was itself repealed and the State of Illinois continues to face complex issues relating to the financing of public education. Given the importance of the property tax and the diversity of questions regarding funding of schools, it seems appropriate to examine the relationships between the various elements of property wealth and operating expenditures per pupil by types of school district -- elementary (K-8), high (9-12), and unit (K-12).

Elements of property wealth were defined as the equalized assessed valuation per pupil for each of the following property tax classifications: (1) residential; (2) farm; (3) commercial; (4) industrial; (5) railroad; and (6) minerals. Definitions of the various classifications as provided by the Illinois Department of Revenue are as follows:

> Residential properties (RES) -- Residential property includes all property used or developed primarily for residential purposes, improved or unimproved, and located within or outside boundaries of a city or village.

Commercial properties (COM) -- Commercial property includes all property used for stores, apartments over 6 units, hotels, office buildings, gas stations, public garages, and similar properties.

Industrial properties (IND) -- Industrial property includes all property used by manufacturing plants, warehouses, grain elevators, and similar properties.

Railroad properties (RR) -- Railroad property includes all railroad property which is assessed locally.

Farm properties (FRM) -- Farm property includes rural property, improved and not improved with buildings.

Mineral properties (MIN) -- Mineral properties include mineral rights for coal, oil-gas, limestone, sand-gravel and other minerals.

An additional element of property wealth was defined as a function of corporate personal property tax replacement payments, which may be defined in the following terms:

Corporate Personal Property Replacement Equalized Assessed Valuation (CPPRV) -- Corporate Personal Property Replacement Equalized Assessed Valuation is a contrived measure of wealth which is defined as the quotient of corporate personal property replacement payments during a given year and the 1977 operating tax rate. (Corporate personal property replacement payments are in lieu of taxes paid on 1978 and prior years Corporate Personal Property assessed valuation. The Illinois Constitution of 1970 required that the corporate personal property tax be abolished and a new tax enacted which would not transfer the tax burden to other classes of taxpayers. In 1979, the Illinois General Assembly passed House Bill 2569 and imposed a tax upon corporations, partnerships and utilities to replace corporate personal property tax revenues.)

DATA

Data for this study were compiled from computer tapes supplied by the Illinois Department of Revenue, Property Tax Division for tax years 1980-1984 and by the Illinois State

Board of Education for FY82 through FY86. Although data were obtained from approximately 1,000 school districts for each of the specified years, the results reported in this study are based upon data from 661 school districts -- 269 elementary, 74 high, and 318 unit school districts. A fundamental concern of the study was to ascertain differences in rates of growth/decline in valuation of the various property wealth components. Therefore, it was essential to exclude from consideration those districts for which there was incomplete data for the period under study. Secondly, all Cook county school districts were eliminated from the study because there was a major reclassification of property from commercial in 1982 to industrial in 1983. (An additional consideration in the elimination of Cook county school districts from the study stems from the fact that Cook county does not uniformly assess property across the various property classifications, but does assess different classes of property at different rates.)

Discussion of Results

A perennial problem of the Illinois General Assembly is to address inequities among elementary, high and unit school districts. These inequities may result from differences in pupil needs, differences in component property wealth, or differences in access to local and state revenues. This

study was limited to an analysis of the distribution of component property wealth among the three types of districts and the relationships between operating expenditures per pupil and component property wealth.

Distribution of Component Property Wealth. A first step in the analysis was a general description of the distribution of component property wealth throughout the territory associated with unit school districts (K-12) and the territory associated with dual (elementary (K-8) and secondary (9-12)) school districts for the tax year 1984. Tables 1-3 graphically display the distribution of component property wealth by type of districts. An examination of Tables 1 and 2 indicates remarkably similar distribution of property wealth among the six components. As a matter of fact, if the area for elementary school districts was identical to the area for secondary school districts, then the distributions displayed in Tables 1 and 2 would be identical. The minor variations in the two distributions results from differences in the identified areas due to the absence/availability of data for selected elementary and/or secondary school districts.

A comparison of Tables 1 and 2 with Table 3 indicates significant differences in the proportion of total property wealth from residential and agricultural properties. For unit districts, approximately 43 percent of the total property wealth is attributable to residential property

(RES) whereas 58 percent of the total property wealth in elementary/high school districts is attributable to residential property. Furthermore, it is noted that 22 percent of the property wealth for unit school districts is attributable to agricultural property (FRM) and approximately 6.5 percent of the tax base is attributable to agricultural property in elementary/high school districts. These differences in the distribution of residential and agricultural properties among unit and dual district may have significant implications for financing public education in the respective areas. For example, if the rate of growth in assessed valuation is different for residential (RES) and agricultural (FRM) properties, then inequities may exist between types of school districts. Or the outcome of local tax rate referenda may be a function of proportions of component property wealth, such as, residential or agricultural properties.

Table 1

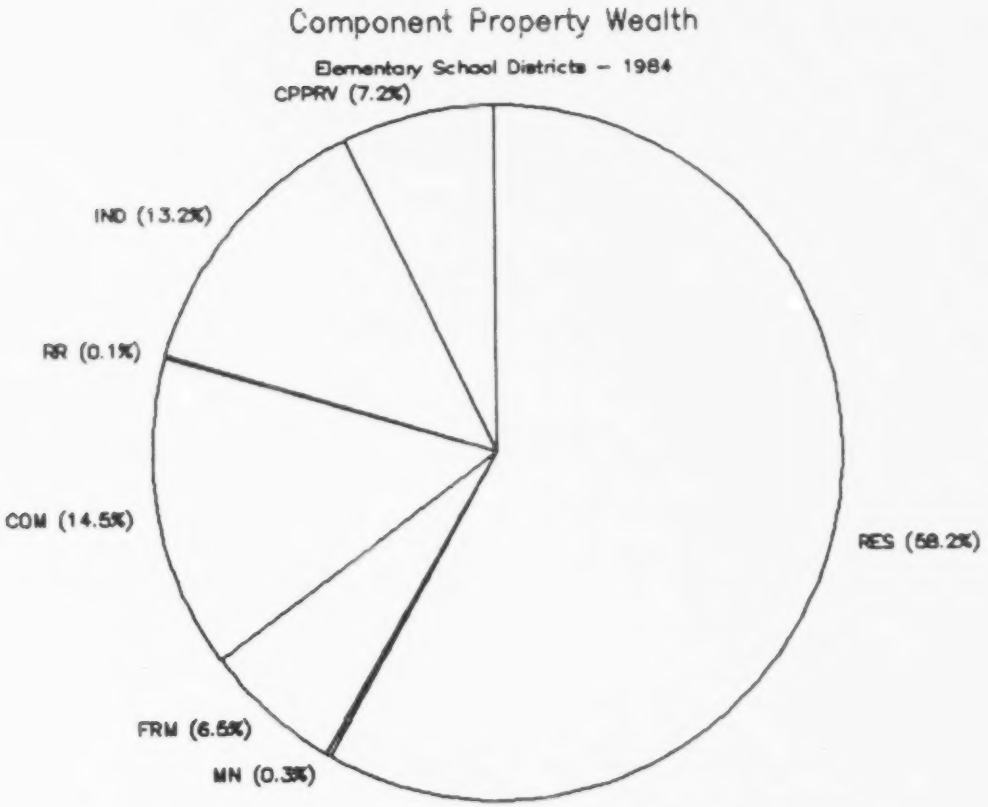

Component Property Wealth
Elementary School Districts – 1984
CPPRV (7.2%)
IND (13.2%)
RR (0.1%)
COM (14.5%)
FRM (6.5%)
MN (0.3%)
RES (58.2%)

Table 2

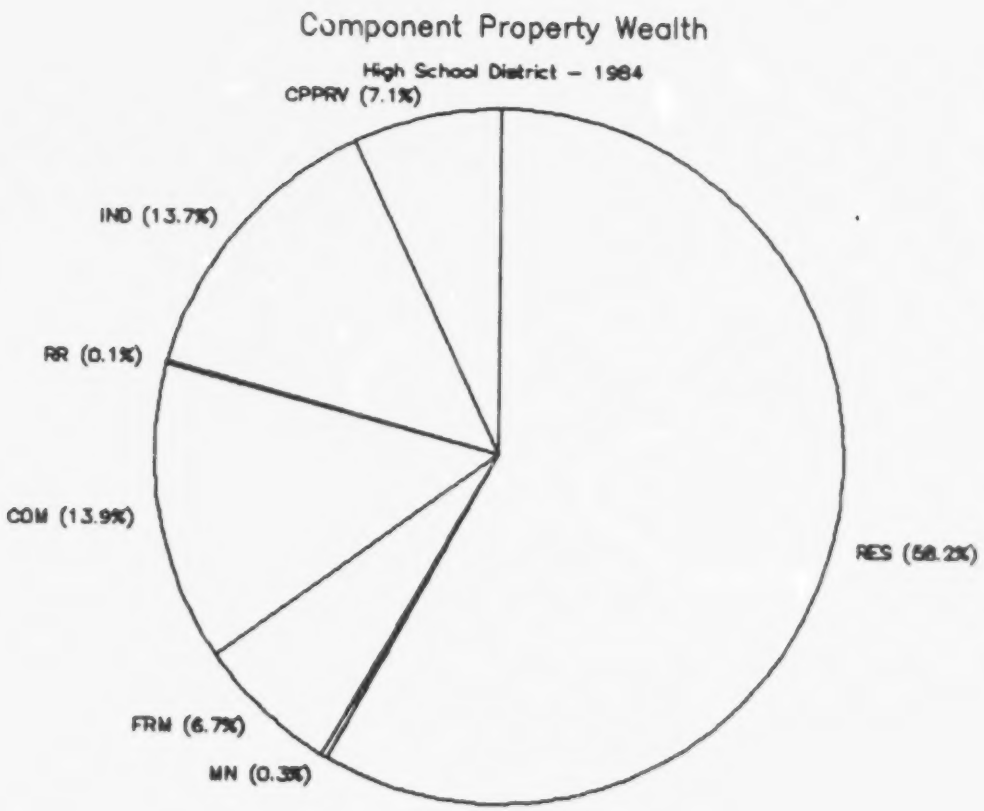
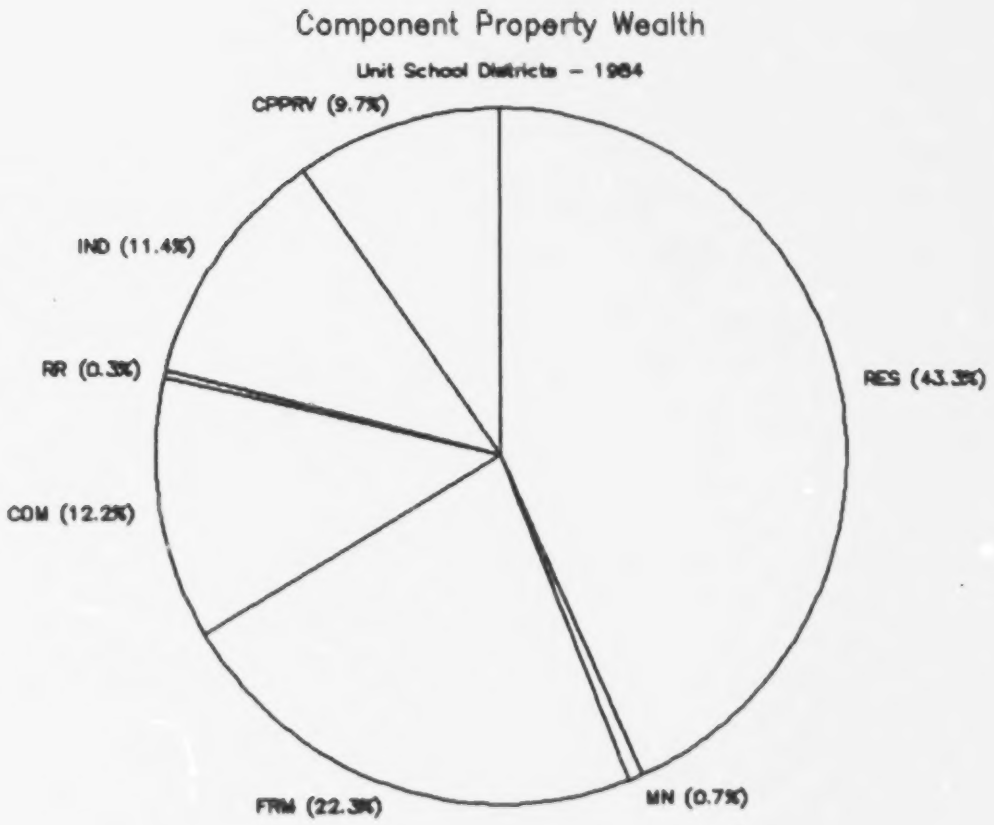

Component Property Wealth
High School District – 1984
CPPRV (7.1%)
IND (13.7%)
RR (0.1%)
COM (13.9%)
FRM (6.7%)
MN (0.3%)
RES (58.2%)

Table 3


Component Property Wealth
Unit School Districts - 1984
CPPRV (9.7%)
IND (11.4%)
RR (0.3%)
COM (12.2%)
FRM (22.3%)
MN (0.7%)
RES (43.3%)

Rate of Growth in Component Property Wealth. A second step in the analysis was to determine a general description of the rate of growth in component property wealth from tax year 1981 to tax year 1984. Table 4 summarizes total assessed valuation by property tax classification and the changes within those classifications from 1981 to 1984.

Aa examination of Table 4 indicates significant differences in the rate of growth among the various classifications. For example, agricultural or farm (FRM) assessments have declined by 15-20 percent from 1981 to 1984, whereas the rate of growth in assessed valuation associated with Corporate Personal Property Replacement Payments (CPPRV) has increased by approximately 40 percent. Such differences in the rate of growth by classification of property within a relatively short time-span could contribute significantly to inequities in financing public education. For example, unit school districts with a greater proportion of their wealth attributable to agricultural properties may be experiencing a much lower rate of growth in total property valuation due to the significant declines in the assessed valuation of those agricultural properties. Furthermore, it is ironic that the portion of the property tax base that was attributable to a tax on personal property shows the greatest rate of growth. The tax on personal property and corporate personal property was eliminated because it was judged to be an unfair tax and

one that was difficult to administer. Hence, the tax was abolished in 1979 and legislation was enacted to impose a tax upon corporations, partnerships and utilities to replace corporate personal property tax revenues. Is equity being addressed when the component of the property tax base that shows the greatest rate of growth is based upon the yield from a tax that was judged to be so poor as to be abolished by constitutional provision? Further, is equity being pursued when the component of the property tax base that shows the greatest rate of growth is a function of conditions that existed in 1977/1978?

Table 4

Total Equalized Assessed Valuation by Property Tax Classification for Tax Years 1981 and 1984
(EAV in Billions)

	Dist. Type	N	1981	1984	Pct. Change
Residential (RES)	Elem	269	$8.334	$8.697	4.36%
	Sec	74	$7.729	$8.053	4.19%
	Unit	318	$9.555	$9.535	-.21%
Farm (FRM)	Elem	269	$1.172	$.937	-20.05%
	Sec	74	$1.133	$.930	-17.92%
	Unit	318	$5.764	$4.912	-14.78%
Commercial (COM)	Elem	269	$1.945	$2.175	11.83%
	Sec	74	$1.729	$1.925	11.34%
	Unit	318	$2.552	$2.679	4.98%
Industrial (IND)	Elem	269	$1.835	$1.978	7.79%
	Sec	74	$1.711	$1.896	10.81%
	Unit	318	$2.026	$2.507	23.74%
Railroad (RR)	Elem	269	$.017	$.019	11.76%
	Sec	74	$.016	$.017	6.25%
	Unit	318	$.060	$.069	15.00%
Mineral (MIN)	Elem	269	$.043	$.040	-6.98%
	Sec	74	$.037	$.038	2.70%
	Unit	318	$.136	$.160	17.65%
CorpPersPropRep (CPPRV)	Elem	269	$.765	$1.079	41.05%
	Sec	74	$.695	$.979	40.86%
	Unit	318	$1.521	$2.137	40.50%
Real (REAL)	Elem	269	$13.350	$13.880	3.97%
	Sec	74	$12.350	$12.860	4.13%
	Unit	318	$20.090	$19.860	-1.14%
GenStateAidVal (GSAEAV)	Elem	269	$14.110	$14.960	6.02%
	Sec	74	$13.050	$13.840	6.05%
	Unit	318	$21.610	$22.000	1.80%

Note: REAL = RES + FRM + COM + IND + RR + MIN; and GSAEAV = REAL + CPPRV.

Distributional Inequities of Component Property Wealth among School Districts. Tables 1-4 provide information regarding aggregate amounts for each of the three types of school districts -- elementary, high and unit school districts. The tables that follow provide information about the distribution of component property wealth, attendance, geographic area, and operating expenditures per pupils for school districts within each of the three types of school districts. Tables 5-7 provide information about the 95th, 75th, 50th, 25th and 5th percentiles, the mean and coefficient of variance, the coefficient of dispersion and the federal range ratio of distributions of component property wealth, attendance, geographic area, and operating expenditures per pupil in elementary, high and unit school districts. The percent coefficient of variance (CV) is defined as 100 times the standard deviation divided by the mean. The coefficient of dispersion (CD) is defined as the interquartile range (75th - 25th) divided by the median (50th). The federal range ratio is the difference between the 95th and 5th percentiles divided by the 5th percentile. These measure provide an indication of the inequity which exists in the distribution of each of the variables.

Table 5

Component Property Wealth Per Pupil
Elementary School Districts
TAX YEAR 1984 (N=269)

Federal

	Mean	95TH	75TH	50TH	25TH	5TH	CV	CD	Range Ratio
RESVPP84	$37,406	$110,700	$45,080	$25,486	$15,430	$5,481	107.1	1.16	19.20
FRMVPP84	$21,847	$103,038	$27,833	$6,822	$608	$6	151.6	3.99	17,172.00
COMVPP84	$9,801	$30,408	$11,762	$5,487	$2,257	$306	174.1	1.73	98.37
INDVP84	$11,343	$53,632	$4,545	$594	$0	$0	546.9	7.65	NA
RRVPP84	$251	$1,012	$350	$96	$15	$0	160.9	3.49	NA
MINVPP84	$887	$4,598	$17	$0	$0	$0	462.8	-	NA
RELVPP84	$82,675	$180,942	$103,048	$63,369	$41,608	$23,044	97.8	.97	6.85
CPPVPP84	$10,212	$26,029	$7,439	$3,559	$2,010	$889	319.6	1.53	28.28
GSAVPP84	$92,887	$215,326	$111,790	$68,122	$44,270	$25,586	104.5	.99	7.42
COINPP84	$21,144	$85,645	$18,711	$7,673	$3,176	$518	306.1	2.02	164.34
TVADA86	665	2,273	787	301	141	61	137.8	2.15	36.26
AREA	27.2	74.7	41.5	19.0	6.5	2.7	96.9	1.84	26.67
OEPP86	$3,006	$4,863	$3,332	$2,825	$2,408	$2,076	29.5	.33	1.34

From Table 5, it is apparent that the federal range ratio of 17,1782 indicates substantial inequity among elementary school districts in the distribution of agricultural property. In addition, inequities are noted in the distribution of industrial, railroad and mineral properties among elementary school districts. In these property classifications, the federal range ratio can not be computed because a significant number of school districts do not have property valuations within each of these property classifications.

Similarly, the federal range ratios of 1533 and 197 indicate substantial inequity among high school districts in the distribution of agricultural and railroad properties,

respectively (Refer to Table 6). In addition, undefined federal range ratios from industrial and mineral valuation represent distributional inequities in these property classes.

An analysis of Table 7 indicates distributional inequities in component property wealth for unit school districts which are similar to those for elementary and high school districts. Federal Range Ratios for farm and railroad valuations are in excess of 200 and ratios for industrial and mineral values are undefined.

Distributional inequities of agricultural, industrial, railroad and mineral valuations were found among elementary, high and unit school districts. Additional analyses indicated that nearly 70 percent of ot the school districts within each of the types had no mineral valuations. It should be noted from tables 5-7, that the federal range ratios for residential properties is relatively small for unit, secondary, and elementary school districts. The relatively small geographic areas of elementary school districts could be an important element in the slightly larger federal range ratio for elementary school districts. Can equity be addressed in funding of Illinois public schools if four of the six components of property wealth are inequitably distributed among the school districts?

Table 6

Component Property Wealth Per Pupil
High School Districts
Tax Year 1984 (N=74)

Federal

	Mean	95TH	75TH	50TH	25TH	5TH	CV	CD	Range Ratio
RESVPP84	$41,368	$142,666	$57,660	$39,534	$24,943	$11,214	81.1	.83	11.72
FRMVPP84	$31,461	$99,768	$43,622	$20,271	$4,627	$65	107.2	1.92	1,533.89
COMVPP84	$12,364	$30,375	$16,726	$10,101	$4,450	$1,521	77.1	1.22	18.97
INDVP84	$29,006	$93,758	$11,992	$3,656	$383	$0	516.4	3.18	NA
RRVPP84	$392	$1,391	$536	$252	$75	$7	106.7	1.83	197.71
MINVPP84	$906	$7,526	$51	$0	$0	$0	304.3	-	NA
RELVPP84	$125,948	$222,023	$135,397	$103,681	$70,852	$47,383	123.1	.62	3.69
CPPVPP84	$9,899	$26,604	$12,837	$6,548	$4,247	$2,494	99.2	1.31	9.67
GSAVPP84	$135,847	$235,070	$147,198	$115,904	$77,267	$51,254	119.6	.60	3.59
COINPP84	$41,370	$110,465	$29,136	$14,966	$7,804	$1,892	363.8	1.43	57.39
TWADA86	1,357	5,606	1,745	859	219	90	122.2	1.78	61.29
AREA	91.4	233.6	122.6	70.2	42.0	18.8	75.1	1.15	11.43
OEPP86	$4,206	$5,822	$4,642	$4,145	$3,561	$3,111	26.0	.26	.87

Table 7

Component Property Wealth Per Pupil
Unit School Districts
TAX YEAR 1984 (N=318)

Federal

	Mean	95TH	75TH	50TH	25TH	5TH	CV	CD	Range Ratio
RESVPP84	$13,285	$30,490	$15,965	$11,229	$7,818	$4,531	64.4	.73	5.73
FRMVPP84	$21,191	$57,060	$29,586	$17,853	$8,052	$255	81.1	1.21	222.76
COMVPP84	$3,413	$8,297	$4,397	$2,638	$1,657	$820	81.4	1.04	9.12
INDVP84	$4,976	$13,424	$2,285	$736	$61	$0	513.8	3.02	NA
RRVPP84	$252	$834	$323	$132	$62	$3	123.8	2.05	277.00
MINVPP84	$621	$4,205	$138	$0	$0	$0	316.9	-	NA
RELVPP84	$44,163	$77,207	$53,105	$38,680	$29,854	$17,117	66.5	.60	3.51
CPPVPP84	$4,288	$10,833	$4,090	$2,589	$1,857	$1,006	188.5	.86	9.77
GSAVPP84	$48,451	$83,471	$56,818	$42,013	$32,931	$19,264	64.7	.57	3.33
COINPP84	$8,389	$20,573	$6,961	$3,847	$2,263	$1,162	307	1.22	16.70
TWADA86	1,561	5,288	1,519	843	522	293	166.4	1.18	17.05
AREA	107.4	222.4	134.8	95.5	68.3	19.8	59.3	.70	10.23
OEPP86	$2,919	$3,852	$3,114	$2,824	$2,577	$2,375	16	.19	.62

The Relationship Between Operating Expenditures Per Pupil and Component Property Wealth. A fourth aspect of the study was to determine the relationship between operating expenditures per pupil and component property wealth for each of the three types of school districts for each of the years 1981 thru 1984. The objective was to determine whether or not there existed a select set of property wealth components that explained the greatest amount of variance in operating expenditures per pupil.

The amount of variance in operating expenditures per pupil explained by property wealth components in the regression analyses ranged from approximately 40 percent for unit school districts to 60 percent for elementary school districts. For elementary and high school districts property valuations for residential, farm and industrial properties accounted for most of the explained variance in operating expenditures per pupil (Refer to Tables 8 and 9, respectively). The pattern for unit school districts was slightly different as valuations for industrial, farm and commercial properties accounted for most of the explained variance in current operating expenditures per pupil (Refer to Table 10). A summary analysis of these relationships for elementary, high and unit school districts indicates valuations for farm and industrial properties are strong predictors of operating expenditures per pupil.

Table 8

Elementary School Districts
(N=269)

Operating Expenditures Per Pupil 1983

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	COMVPP81	.1960	.1960	65.1036	.0001
Step 2	FRMVPP81	.1635	.3595	67.8811	.0001
Step 3	RESVPP81	.0452	.4047	20.1166	.0001
Step 4	INDVPP81	.0379	.4426	17.9693	.0001

Operating Expenditures Per Pupil 1984

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	RESVPP82	.2442	.2442	86.2527	.0001
Step 2	FRMVPP82	.2601	.5042	139.5242	.0001
Step 3	CPPVPP82	.0626	.5668	38.2759	.0001
Step 4	COMVPP82	.0275	.5942	17.8627	.0001
Step 5	INDVPP82	.0113	.6055	7.5309	.0065

Operating Expenditures Per Pupil 1985

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	RESVPP83	.2818	.2818	104.7826	.0001
Step 2	FRMVPP83	.2564	.5383	147.7436	.0001
Step 3	INDVPP83	.0438	.5821	27.7759	.0001
Step 4	CPPVPP83	.0259	.6080	17.4450	.0001
Step 5	COMVPP83	.0160	.6240	.1121	.0009

Operating Expenditures Per Pupil 1986

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	RESVPP84	.3063	.3063	117.9125	.0001
Step 2	FRMVPP84	.2322	.5386	133.8593	.0001
Step 3	INDVPP84	.0548	.5933	35.6921	.0001
Step 4	CPPVPP84	.0322	.6255	22.7023	.0001
Step 5	COMVPP84	.0060	.6316	4.3124	.0388

Table 9

High School Districts
(N=74)

Operating Expenditures Per Pupil 1983

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	INDVPP81	.2593	.2593	25.2101	.0001
Step 2	CPPVPP81	.0450	.3044	4.5962	.0355
Step 3	MINVPP81	.0492	.3536	5.3302	.0239
Step 4	FRMVPP81	.0453	.3989	5.1998	.0257
Step 5	RESVPP81	.0798	.4787	10.4129	.0019

Operating Expenditures Per Pupil 1984

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	INDVPP82	.3638	.3638	41.1705	.0001
Step 2	RESVPP82	.0738	.4376	9.3168	.0032
Step 3	FRMVPP82	.0533	.4909	7.3347	.0085
Step 4	CPPVPP82	.0326	.5235	4.7194	.0333

Operating Expenditures Per Pupil 1985

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	INDVPP83	.3352	.3352	36.3076	.0001
Step 2	RESVPP83	.0835	.4188	10.2039	.0021
Step 3	FRMVPP83	.1128	.5316	16.8541	.0001
Step 4	RRVPP83	.0342	.5657	5.4280	.0227

Operating Expenditures Per Pupil 1986

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	INDVPP84	.3436	.3436	37.6880	.0001
Step 2	RESVPP84	.0602	.4038	7.1725	.0092
Step 3	FRMVPP84	.0766	.4804	10.3181	.0020
Step 4	RRVPP84	.0374	.5178	5.3554	.0236

Table 10

Unit School Districts
(N=318)

Operating Expenditures Per Pupil 1983

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	INDVPP81	.1419	.1419	52.2592	.0001
Step 2	FRMVPP81	.1571	.2990	70.6169	.0001
Step 3	COMVPP81	.0471	.3461	22.5945	.0001
Step 4	RRVPP81	.0210	.3671	10.3755	.0014
Step 5	CPPVPP81	.0080	.3751	3.9912	.0466

Operating Expenditures Per Pupil 1984

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	FRMVPP82	.1415	.1415	52.0943	.0001
Step 2	INDVPP82	.1490	.2905	66.1433	.0001
Step 3	COMVPP82	.0742	.3647	36.6820	.0001
Step 4	RRVPP82	.0200	.3847	10.1834	.0016
Step 5	RESVPP82	.0143	.3991	7.4492	.0067
Step 6	CPPVPP82	.0099	.4090	5.2332	.0228

Operating Expenditures Per Pupil 1985

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	INDVPP83	.1713	.1713	65.3258	.0001
Step 2	FRMVPP83	.1352	.3065	61.4026	.0001
Step 3	COMVPP83	.0901	.3966	46.8917	.0001
Step 4	RRVPP83	.0197	.4163	10.5395	.0013
Step 5	RESVPP83	.0147	.4310	8.0869	.0048

Operating Expenditures Per Pupil 1986

	Variable	Partial R**2	Model R**2	F	Prob>F
Step 1	INDVPP84	.1556	.1556	58.2285	.0001
Step 2	FRMVPP84	.1228	.2784	53.6029	.0001
Step 3	COMVPP84	.0803	.3587	39.3362	.0001
Step 4	RRVPP84	.0190	.3778	9.5718	.0022
Step 5	RESVPP84	.0140	.3918	7.2057	.0077

Findings and Conclusions.

The results of this study suggest distributional inequities in residential and farm valuation percentages between unit and dual school district territories. Secondly, significant differences in growth/decline of valuations exists for farm valuations (15-20 percent decline) and corporate personal property replacement valuations (41 percent increase). Thirdly, significant distributional inequities of industrial, farm, railroad and mineral valuations exists among districts within each of the district types. Fourth, it was found that property valuations for farm and industrial properties were strong predictors of operating expenditures per pupil for each of the three types of school districts. These results have significant implications for future revisions in the system of funding public education in Illinois.

First, the results of this study lend credence to Toenjes' proposal for a two-stage resource equalization model in Illinois.[3] Toenjes proposed that residential property be taxed at the local school district level and that revenue from non-residential property -- agricultural, commercial, industrial, railroad and mineral -- be taxed at the county level and shared within the county. Proposals similar to that of Toenjes would ameliorate inequities

resulting from non-residential component property wealth as found in this study.

Second, the results of this study lend credence to calls to re-evaluate the equity effects of corporate personal property replacement revenues. It is generally accepted that the personal property tax is a poor tax, however, Illinois Corporate Personal Property Replacement assessed valuation is based upon the proportionate share of revenues from 1977/1978 tax years. Perhaps it is time to evaluate whether or not it is equitable to continue to distribute revenues from the fastest growing property wealth component on the basis of circumstances which existed in 1977/1978?

Third, the results of this study suggest caution regarding proposals which would add income as an additional measure of wealth in the general state aid formula. Data collection of individual income by school district was begun with the filing of Illinois state income tax returns for 1986. There may be valid reasons for including an income factor in the state aid formula, but the simple procedure of adding one more wealth component will not ameliorate inequities in existing property wealth components.

Fourth, as there are different classes of properties, there are different values attaching to owners of those properties. Owners of one class of property may have different values than owners of another class of property.

Therefore, equal valuations of two classes of property may not necessarily result in equal revenues for public education because of different values of owners of those properties.

Bibliography

[1]Illinois State Board of Education. Illinois Public School Finance Project: State Superintendent's Preliminary School Finance Reform Recommendations. Springfield, IL: Illinois State Board of Education, September 1984. (p. 1)

[2]Illinois State Board of Education. Illinois Public School Finance Project: State Superintendent's Preliminary School Finance Reform Recommendations. Springfield, IL: Illinois State Board of Education, September 1984. (p. 12)

[3]Lawrence A. Toenjes. Two-Stage Resource Equalization Application to Illinois. Journal of Education Finance vol. 11, no. 3 (Winter, 1986): 355-362.